Public Employees Deferred Salary Leave Fund

Annual Report for 2016

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Government of Saskatchewan

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Letters of Transmittal

Her Honour, The Honourable Vaughn Solomon Schofield
Lieutenant Governor of the Province of Saskatchewan

May it Please Your Honour:

I have the honour to transmit herewith the twenty-first Annual Report of the Public Employees Deferred Salary Leave Fund for the year ending December 31, 2016.

Kevin Doherty
Minister of Finance

The Honourable Kevin Doherty
Minister of Finance

Sir:

On behalf of the Public Employees Deferred Salary Leave Plan Committee, I have the honour to transmit herewith the twenty-first Annual Report of the Public Employees Deferred Salary Leave Fund for the year ending December 31, 2016.

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Public Employees Deferred Salary Leave Fund

Introduction

The Public Employees Deferred Salary Leave Fund was established on April 4, 1989.

The Fund is used to account for the transactions of the Deferred Salary Leave Plan, which allows employees to defer a portion of their salary for a period of twelve to seventy-two months. The deferred salary must then be used in financing a leave of absence for durations of six to twelve months, subject to the approval of the employer and the terms and conditions of the Plan.

The Fund is a prescribed plan pursuant to regulation 6801 of the *Income Tax Act* (Canada).

Plan Committee Members

Kent Walde (Chair)
Ministry of Finance (PEBA)

Member – Employer Representative
Jackie Swinnerton
Public Service Commission

Dona Jones
Saskatchewan Legal Aid Commission

Donna McCudden
Public Service Commission

Member – Employee Representative
Jacalyn Luterbach
Valley View Centre
CUPE Local 600-3 and 600-5

Participating Employers

The following employers participate in The Government of Saskatchewan Deferred Salary Leave Plan:

eHealth Saskatchewan
Financial and Consumer Affairs Authority of Saskatchewan
Global Transportation Hub Authority (The)
Information Services Corporation
Innovation Saskatchewan
Legislative Assembly Service
Liquor and Gaming Authority
Livestock Services of Saskatchewan Corporation with regards to employees who are out of the scope of a collective bargaining agreement
Physician Recruitment Agency of Saskatchewan
Provincial Archives of Saskatchewan
Saskatchewan Human Rights Commission
Saskatchewan Legal Aid Commission
Saskatchewan Power Corporation
Saskatchewan Telecommunications Holding Corporation
Saskatchewan Water Corporation
Technical Safety Authority of Saskatchewan
Water Security Agency of Saskatchewan

The Government of Saskatchewan with respect to the following individuals:

Assistant Chief Electoral Officer
Judges of the Provincial Court
Members of the Public Service of Saskatchewan as defined by *The Public Service Act, 1998*

Administration

The Plan is managed by the Public Employees Benefits Agency, Ministry of Finance.

Canadian Western Trust Company is on contract to provide trustee and investment management services.

The Recordkeeper Inc. is on contract to provide employee statements and recordkeeping services.

Funding

Funding for the Fund is totally employee paid through salary deferrals. The portion of salary deferred is held in trust by the Fund. Accounts are maintained for each participating employee with interest and administrative fees allocated accordingly.

Participation Experience

	2016	2015
Number of Employees Participating at December 31	65	64
Deferrals Completed During Year	18	17
Withdrawals During Year	3	4

Management's Report

To the Members of the Legislative Assembly of Saskatchewan

As members of management of the Public Employees Deferred Salary Leave Fund, we are responsible for the preparation and presentation of the following financial statements in accordance with Canadian public sector accounting standards applicable for governments.

The significant accounting policies adopted in the preparation of the financial statements are fully and fairly disclosed in the financial statements.

The Public Employees Deferred Salary Leave Fund has a system of internal controls adequate to provide reasonable assurance that the accounts are faithfully and properly kept to permit the preparation of accurate financial statements in accordance with Canadian public sector accounting standards applicable for governments.

Enclosed are the financial statements of the Public Employees Deferred Salary Leave Fund for the year ended December 31, 2016, and the Provincial Auditor's report on these financial statements.

Regina, Saskatchewan
April 10, 2017

Dave Wild
Associate Deputy Minister
Public Employees Benefits Agency
Ministry of Finance

Public Employees Deferred Salary Leave Fund

Financial Statements

Year Ended December 31, 2016

PROVINCIAL AUDITOR
of Saskatchewan

Independent Auditor's Report

To: The Members of the Legislative Assembly of Saskatchewan

I have audited the accompanying financial statements of the Public Employees Deferred Salary Leave Fund, which comprise the statement of financial position as at December 31, 2016, and the statement of operations and net financial assets, and the statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for Treasury Board's approval, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements present fairly, in all material respects, the financial position of the Public Employees Deferred Salary Leave Fund as at December 31, 2016, the results of its operations, changes in its net financial assets, and its cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Judy Ferguson

Regina, Saskatchewan
April 10, 2017

Judy Ferguson, FCPA, FCA
Provincial Auditor

Public Employees Deferred Salary Leave Fund **Statement 1**
Statement of Financial Position

As At December 31

	2016	2015
Financial Assets		
Investments (Note 3)	$ 2,022,877	$ 1,924,720
Total Assets	2,022,877	1,924,720
Liabilities		
Accounts Payable and Accrued Liabilities	1,223	1,165
Total Liabilities	1,223	1,165
Net Financial Assets and Accumulated Surplus (Statement 2)	$ 2,021,654	$ 1,923,555

(See accompanying notes to the financial statements)

Public Employees Deferred Salary Leave Fund
Statement of Operations and Net Financial Assets

Statement 2

Year Ended December 31

	2016		2015
	Budget (Note 5)	Actual	Actual
Revenues			
Contributions	$ 1,149,457	$ 1,124,293	$ 1,003,545
Interest Revenue (Note 3)	29,541	35,075	39,872
	1,178,998	1,159,368	1,043,417
Expenses			
Redemptions	1,470,020	1,025,950	1,320,149
Interest (Note 3)	48,001	30,183	35,145
Service Fees	7,085	5,136	4,833
	1,525,106	1,061,269	1,360,127
Surplus (Deficit) for the Year	(346,108)	98,099	(316,710)
Net Financial Assets, Beginning of Year	1,923,555	1,923,555	2,240,265
Net Financial Assets, End of Year (Statement 1)	$ 1,577,447	$ 2,021,654	$ 1,923,555

(See accompanying notes to the financial statements)

Public Employees Deferred Salary Leave Fund **Statement 3**
Statement of Cash Flow

Year Ended December 31

	2016	2015
Operating Activities		
Contributions Received	$ 1,124,293	$ 1,003,545
Interest Received On Investments	35,075	39,872
Redemptions Paid to Participants	(1,025,950)	(1,320,149)
Interest Paid On Redemptions	(30,183)	(35,145)
Service Fees Paid	(5,078)	(4,872)
Net Cash Flows (Used In) Provided by Operating Activities	98,157	(316,749)
Investing Activities		
Investment Proceeds	(98,157)	316,749
Net Cash Flows Provided by (Used In) Investing Activities	(98,157)	316,749
Net Increase/Decrease In Cash	-	-
Cash at Beginning of Year	-	-
Cash At End of Year	$ -	$ -

(See accompanying notes to the financial statements)

Public Employees Deferred Salary Leave Fund
Notes to the Financial Statements

December 31, 2016

1. Description of Fund

The Public Employees Deferred Salary Leave Plan (Plan) was established on April 4, 1989, and continues under subsection 64(2) of *The Financial Administration Act, 1993* (Act). The Public Employees Deferred Salary Leave Fund (Fund) is used to account for the transactions of the Plan. Net assets of the Fund represent the accumulated amounts payable to the participants when they take a leave of absence or otherwise withdraw from the Fund. The Plan is managed by the Public Employees Benefits Agency (PEBA).

The Plan allows participating employees to defer a portion of their salary for a period of twelve to seventy-two months. The deferred salary must then be used in financing a leave of absence for any reason for durations of six to twelve months, subject to the approval of the employer and the terms and conditions of the Plan. The portion of the participant's salary deferred during the year is recorded as Contributions, and the deferred salary used during the year is recorded as Redemptions.

Plan participants are employees of the Public Service of Saskatchewan, as defined by *The Public Service Act, 1998,* and certain Saskatchewan Crown agencies, whose participation in the Plan has been approved by the Lieutenant Governor in Council.

The Plan is a prescribed plan under the *Income Tax Act* (Canada).

2. Significant Accounting Policies

These financial statements are prepared in accordance with Canadian public sector accounting standards. These statements do not present a Statement of Re-measurement Gains and Losses as the Plan has no re-measurement gains or losses. These statements also do not present a Statement of Changes in Net Financial Assets as the Plan does not hold any non-financial assets. The following policies are considered significant:

a) Revenue Recognition

Interest is recognized as revenue when earned. Contributions are recognized as revenue when received.

b) Financial Instruments

The Plan's financial instruments consist of investments and accounts payable and accrued liabilities. Accounts payable and accrued liabilities are measured at cost. Investments are measured at fair value. The fair value of investments is based on cost plus accumulated investment income.

3. Investments

The deferred salary is held in Guaranteed Investment Certificate (GIC) deposit accounts maintained for each participating employee. Interest revenue is allocated to individual member accounts based on the weighted average of the interest rates the bank pays for GIC deposits which is 1.86 per cent for 2016 (1.99 per cent in 2015). Each plan participant is also charged a service fee. On December 31, interest for the year is paid to each participating employee.

The Plan has classified its required fair valued financial instrument holdings using a hierarchy that reflects the significance of the inputs used in determining their measurements.

Under the classification structure, financial instruments recorded at unadjusted quoted prices in active markets for identical assets and liabilities are classified as Level 1. Instruments valued using inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly or indirectly are classified as Level 2. Instruments valued using inputs that are not based on observable market data are classified as Level 3.

The Plan presently holds only financial instruments that are classified as Level 2.

4. Financial Risk Management

The nature of the Plan's operations results in a statement of financial position that consists primarily of financial instruments. The risks that arise are credit risk, market risk (consisting of interest rate risk) and liquidity risk.

Credit Risk

Credit risk is the risk that one party does not pay funds owed to another party. The Fund's credit risk arises primarily from the following distinct sources:

	2016	2015
Investments	$2,022,877	$1,924,720

The maximum credit risk to which the Plan is exposed is limited to the carrying value of the financial assets summarized above.

The credit risk for investments is managed through a policy that limits the types of investments that can be held by the Fund. Investments consist of guaranteed investment certificates issued by a Canadian trust company.

Market Risk

Market risk represents the potential for loss from changes in the value of financial instruments. Values can be affected by changes in interest rates. The Fund is exposed to changes in interest rates on its investments. This risk is managed by investing in financial assets of a short-term duration.

Liquidity Risk

Liquidity risk is the risk that the Fund is unable to meet its financial obligations as they fall due. The Plan manages this risk by investing in financial assets with a very short term to maturity.

5. Budget

PEBA approved the annual budget for the Deferred Salary Leave Fund on January 4, 2016.

6. Costs Borne by Other Agencies

The Plan has not been charged with certain administrative costs. These costs are borne by PEBA. No provision for these costs is reflected in these financial statements.